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Indonesia

Oilseeds and Products

Palm Oil Update

2003

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Report Highlights:

The outlook for Indonesia's palm oil industry in MY02/03 is positive as production and exports are on the rise. FAS/Jakarta revised Indonesia's palm oil production estimate for MY02/03 to 9.7 million tons (MMT) and forecast to be more pronounced at 10.1 MMT in MY03/04. The additional output is a result of better productivity per hectare of oil palm plantation and the higher number of new oil palm trees came into production with enough number of processing factories. The MY02/03 and MY03/04 exports for CPO are revised to 6.3 MMT and 6.5 MMT. In the first 7 months of MY02/03, exports have increased by 22 percent to 4.5 MMT compared to the same period last year. With a 35-percent market share, India continues to be the major buyer of CPO from Indonesia.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Jakarta [ID1]
[ID]

Production

Overall, Indonesian crude palm oil (CPO) production is expected to be good this year. The palms are recovering from stress due to last year's drought, enabling adequate growth. Some producers indicated that CPO production is reaching a significant level due to the increase of productivity per hectare of oil palm plantation especially in the private plantation estates. It is also reported that Indonesia has enough CPO factories to process the production of fresh fruit bunches compared to the past, when there was a shortage in processing facilities, which caused quality problems and loss of yields. Expansion in the palm oil industry has been underway over in the past years. The total area planted is estimated at 3.5 million hectares. About seventy percent of the planted areas are considered productive and some of the new oil palm trees crop has started to produce palm oil this year.

FAS/Jakarta estimates CPO production during MY02/03 (October – September) at 9.7 MMT, revised from GAIN report ID#3010. Due to this upward trend that is expected to be more pronounced next year, post revised production for MY03/04 up about 4 percent, at 10.1 MMT.

Consumption

Of the total production, about 3.5 MMT has been estimated for domestic consumption during MY02/03. Steady growth in the domestic consumption directly contributes to the growth in Indonesia's cooking oil industry. Post forecast of CPO consumption for cooking oils during MY03/04 increased slightly to 3.2 MMT. It is reported that consumption of cooking oils has reached almost 14 – 15 kg per capita per year, which is close to the international average. During Ramadan Celebrations in November 2003, cooking oil consumption is anticipated to increase by 25 percent.

Trade

Exports of CPO are becoming more attractive to Indonesian producers because of favorable world market prices. Traders reported that almost 80 percent of CY03 production has been booked for exports. Preliminary data from BPS Statistics Indonesia indicate that during the first 7 months (October 2002 – May 2003) of MY02/03, exports increased 22 percent from 3.7 MMT to 4.5 MMT from the same period last year. Thus, post revised upwards the estimate of total MY02/03 exports at 6.3 MMT. Like the trend that developed in the last few years, India is still the major customer, followed by the European Union and China.

Some Post sources report that Indonesia's export volume to India is expected to reduce and shift to other consuming countries such as Pakistan and Bangladesh. This shift is due to a quality standard required by the Government of India, i.e : the level of a beta-carotene content of 500 ppm – 2500 ppm. Recently, exports CPO from Indonesia have been rejected over failure to meet the standard, and this may only enter the Indian market with a surcharge of 10 percent in addition to the normal import duty of 92.4% for RBD olein and 65% for crude olein. The Government of Indonesia has sent a protest letter to the Government of India, since it claims that India did not pre-announce this requirement prior to applying the rule.

Stocks, Price & Policy

While there are abundant supplies of Indonesian CPO, there is, at the same time, higher volume of palm oil exports and domestic utilization. This has contributed to a lower level of carry-over stocks during MY2003. Like rice and sugar, cooking oil is considered a political and strategic commodity that might cause the government to take action to control stock and price of the cooking oil in the market. In the past, the GOI used the export price standard (HPE) to curb exports to guarantee domestic supplies in the country.

The CPO price in international market has increased substantially and caused an increase in domestic prices. It is expected that the CPO price will stay strong next year due to growing demand, mainly from European Countries, China and India. Recently, cooking oil producers and retailers have been encouraged to follow government's call to gradually reduce and maintain prices from exceeding a level during the religious celebrations, otherwise, the GOI consider increasing the HPE and export tax all together. Recently the government announced the HPE and export tariffs for CPO and its derivative products remain the same.

PSD Table

Country
Commodity

Indonesia
Oil, Palm

	(1000 HA)		(1000 TREES)		(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Gt	Estimate [N	DA Official [Gt	Estimate [N	DA Official [Gt	Estimate [N
Market Year Begin	10/2001		10/2002		10/2003	
Area Planted	3,328	3,328	0	3,500	0	3,500
Area Harvested	2,662	2,662	0	2,800	0	2,800
Trees	372,320	372,736	0	392,000	0	392,000
Beginning Stocks	460	550	385	282	400	242
Production	9,200	9,200	9,700	9,700	10,100	10,100
MY Imports	5	14	5	10	0	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	9,665	9,764	10,090	9,992	10,500	10,352
MY Exports	5,685	6,052	6,007	6,300	6,250	6,500
MY Exp. to the EC	1,000	1,474	1,050	1,500	1,000	1,550
Industrial Dom. Consum	295	280	320	300	330	350
Food Use Dom. Consump.	3,244	3,100	3,305	3,100	3,450	3,200
Feed Waste Consumption	56	50	58	50	61	50
TOTAL Dom. Consumption	3,595	3,430	3,683	3,450	3,841	3,600
Ending Stocks	385	282	400	242	409	252
TOTAL DISTRIBUTION	9,665	9,764	10,090	9,992	10,500	10,352
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	6,400	0	6,500	0	6,500
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Export Trade Matrix

Country Indonesia

Commodity Oil, Palm

Time Period **Oct - May** Units: **1,000 MT**

Exports for: **2001** **2002**

U.S. **4** U.S. **3**

Others Others

India	933	India	1,573
Netherlands	633	Netherlands	534
China	262	China	394
Singapore	233	Malaysia	353
Malaysia	177	Singapore	236
Pakistan	175	Pakistan	149
Germany	162	Bangladesh	136
Turkey	150	Spain	115
Bangladesh	117	Nigeria	113
Spain	111	Germany	90
Tanzania	68	South Africa	88
Egypt	63	Tanzania	74
South Africa	59	Turkey	66
Ukraine	50	Ukraine	59

Total for Others 2,953 3,693

Others not Listed **737** **796**

Grand Total 3,694 4,492

Import Trade Matrix

Country Indonesia

Commodity Oil, Palm

Time Period **Oct - May** Units: **MT**

Imports for: **2001** **2002**

U.S. **0** U.S. **0**

Others Others

Malaysia	6	Batam Island*	5
Batam Island*	2	Malaysia	2

Total for Others 8 7

Others not Listed **1** **1**

Grand Total 9 8

Note : Batam Island is a province in Indonesia, however according to BPS Statistics Indonesia, if products are shipped to Indonesia and being processed in Batam Island, the products are treated as imported products from abroad.

Exchange Rate (Rp./1US\$) on Period Month Ending Basis

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2,387	2,403	2,418	2,443	2,458	2,450	2,528	2,190	3,350	3,700	3,740	5,700
1998	13,513	9,377	8,740	8,211	10,767	15,160	13,850	11,700	11,314	9,142	7,755	8,100
1999	9,419	8,992	8,778	8,632	8,179	6,750	6,989	7,736	8,571	6,949	7,439	7,161
2000	7,414	7,517	7,598	7,988	8,728	8,742	9,055	8,370	8,891	9,483	9,524	9,385
2001	9,488	9,914	10,460	12,117	11,423	11,436	9,744	9,045	9,696	10,358	10,476	10,450
2002	10,383	10,222	9,779	9,441	9,823	8,741	9,171	8,938	9,057	9,257	9,020	8,929
2003	8,877	8,917	8,957	8,711	8,274	8,259	8,505	8,535	8,389	8,520	8,537	

Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper.

Note: - November 2003 exchange rate is quoted for November 21, 2003

- BPS data available up to June 2003

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